

# Tools to Revitalize California Communities



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Regional Council of Rural Counties

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# Mission of the California Debt and Investment Advisory Commission....

- **“To improve the practice of public finance in California by providing responsive and reliable information, education and advice.”**

# How does CDIAC meet this mission?



## CDIAC:

- Serves as California's statistical clearinghouse for public debt issuance data
- Publishes a monthly newsletter on topical debt and investment matters
- Produces timely and pertinent policy research reports and issue briefs
- Conducts ongoing educational programs for state and local officials
- Responds to public finance-related inquiries

# CDIAC expands its focus to community economic development ....

- Natural adjunct to monitoring the fiscal strength of California communities
- Focusing on the state's infrastructure needs
- Focusing on increasing the expertise in the area of community revitalization
- Meeting the demand in projected population growth

# Tools to Revitalize California Communities



- Loans and Grants
- Programs offered through debt authorities for specific purposes:
  - brownfield remediation and redevelopment
  - affordable housing
  - industrial development financing
  - health facility financing
  - pollution control financing
  - school financing
  - community planning
  - small business loans

# CDLAC

## ■ California Debt Limit Allocation Committee

- Allocates California's \$2.5 billion in annual tax exempt, low cost financing for private projects of public benefit.
- Allocation system targets lower income communities, family and business enterprises that have the least access to capital, and projects that support livable communities, sustainable development and sound environmental practices.
- Extra Credit Teacher Home Purchase Program:
  - Qualifies teachers and principals who commit to serve in designated low performing schools for five years for tax credits or reduced interest rate loans to purchase a home
- Executive Director, Laurie Weir, (916) 653-3255

# CTCAC



## ■ California Tax Credit Allocation Committee

- Awards federal and state tax credits for the construction and rehabilitation of affordable rental housing.
- Gives priority to projects in struggling neighborhoods where housing is part of a comprehensive revitalization effort.
- Annual funding for this program is \$650 million.
- Executive Director, Jeanne Peterson, (916) 654-6340.

# CEFA

## ■ California Educational Facilities Authority

- Issues revenue bonds to assist accredited post-secondary private institutions in the expansion and construction of educational facilities. Also administers low-interest student loan programs.
- Programs: CEFA Tax-Exempt Standard and Pooled Bonds, Equipment Program, Cal Edge and Cal Loan Student Loan Programs.
- \$2.5 billion in outstanding bonds to 2001 and \$4.9 billion in bonds issued to date.
- Issued \$483 million in bonds in 2001.
- Executive Director: Jennifer Ducray-Morrill (916) 653-2872



# CHFFA

## ■ California Health Facilities Financing Authority

- Provides financial assistance to public and non-profit health care providers by the issuance of tax-exempt revenue bonds. Also provides low-cost loans to small and rural health facilities.
- Programs: CHFFA Standard and Pooled Tax-Exempt Bonds, Equipment Bond, HELP II and HealthCap Loans
- Issued \$270 million in bonds in 2001, with other loans of \$2.3 million from the new HELP II Program, and \$34.5 million disbursed in Community Clinic Investment Act grants.

# CHFFA continued...

## ■ Case Study: HELP II Loans and Community Clinic Investment Act Grant

- Hill Country Community Clinic located in Round Mountain, Shasta County.
- Primary source of medical, dental and mental health services for 80% of the residents of mountainous, sparsely-populated 750 square mile rural/frontier service area.
- Utilized \$250,000 Help II loan and \$250,000 Community Clinic Investment Act Grant to expand its capacity to provide medical and emergency services to its patient base.
- Funds will be used for the construction and renovation, equipment, a well, septic tank, paving, and site grading.
- Savings from using low-interest loan will be used to provide health care to low-income or uninsured patients.

■ Executive Director: Sumi Sousa (916) 653-2799

# CPCFA

## ■ California Pollution Control Financing Authority

- Provides financing for pollution control facilities. Programs assist small businesses in obtaining loans and in financing brownfields redevelopment site assessments.
- Programs: CPCFA Tax-Exempt Bonds, California Capital Access Program (CalCAP) for Small Businesses, California Recycle Underutilized Sites (CalReUSE) Program, Sustainable Communities Grant and Loan Program
- \$444 million in small business loans as of December 2001.

# CPCFA continued...



- Case Study: CalReUSE Program
  - | MacArthur Bart Station Transit Village in Oakland
  - | Redevelopment of the Bart Parking Lot for 400 to 800 new housing units, neighborhood-serving retail, community facilities, pedestrian plaza and expansion of on-site medical center.
  - | Exploring project feasibility by initiating an environmental site assessment
  - | \$125,000 CalReUse Program Loan utilized for the payment of the assessment
- Executive Director: Steven Sakarui (916) 654-6510

# CIDFAC



- California Industrial Development Financing Authority
  - Assists California manufacturing businesses in funding capital expenditures for acquisitions or expansions. Program provides tax-exempt industrial development bonds enhanced by a letter of credit to businesses at competitive rates.
  - Programs: CIDFAC Tax-Exempt Bonds

# CIDFAC continued...

- Case Study: Industrial Development Bonds
  - | American Modular Systems, Inc. manufacturer of modular classrooms for public school districts throughout California
  - | Utilized \$5 million in Industrial Development Bonds to construct a corporate administration building and manufacturing facility located next to a transit stop.
  - | Project is located in City of Manteca
  - | Anticipated creating 115 new jobs within two years of project completion.
  - | Without the benefit of the tax-exempt financing, the borrower would not have been able to finance the entire cost of the project, resulting in fewer jobs being created and a less efficient facility.
- Executive Director: Joanie Jones-Kelly (916) 653-3843

# CIDFAC continued...

## ■ Case Study: Industrial Development Bonds

- P&C Poultry - family-owned business that processes and distributes poultry to wholesale companies
- Located in Los Angeles, business had limited growth potential because of several plant locations and was unable to compete with other distributors
- Utilized \$2.5 million IDB and a subordinate loan of \$325,000 to purchase 1.5 acres of vacant land and construct a new facility to house a state-of-the-art food processing center
- Increased production from 40,000 to a million pounds of poultry a week and doubled its revenue while operating two shifts of employees
- Company has exceeded its hiring goals within two years of bond issuance

■ Executive Director: Joanie Jones-Kelly (916) 653-3843

# PMIA



## ■ Pooled Money Investment Account

- PMIA Portfolio composition currently total approximately \$50 billion
- Community Reinvestment Act Loans
  - \$667 million to purchase home loans made to low- and moderate-income Californians or in low- and moderate-income neighborhoods. The purchase of CRA loans provides new capital to lenders, stabilizes neighborhoods, and increases home ownership.



# PMIA continued...



- Increased State Deposits in California Banks
  - Increasing deposits of state funds in California community banks provides lenders funds to boost small business and home mortgage lending. From January 1999 to today, the number of participating entities has increased from 35 to 124. \$5.2 billion is invested in time deposits to date.
- Small Business Loans
  - PMIA invests approximately \$262 million in Small Business Loans in California. These investments are designed to stimulate small business lending and small business creation in California communities.
- Assistant Director, Investment Division: Dan Dowell  
(916) 653-3147

# CalSTRS



- California State Teachers Retirement System
  - \$750 million in California urban in-fill real estate (including \$150 million in affordable housing)
  - \$350 million for business investment in underserved urban and rural communities
  - Contact: Christine Solich (916) 653-3147

# CalPERS



- California Public Employee Retirement System
  - \$850 million in California urban, in-fill real estate (including \$250 million in affordable housing)
  - \$475 million “California Initiative, targeted to businesses locating and expanding in underserved communities. Engages strong private sector investment partners and leverages additional capital.
  - Contact: Christine Solich (916) 653-3147

# A NEW PROGRAM IS BORN

## Mission Statement

■ The California Initiative will **invest in traditionally underserved markets** primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or **not reviewed by other sources of investment capital**. These opportunities should **offer attractive risk-adjusted returns** commensurate with their asset class. While equity investments are a primary focus, synergistic investments involving real estate and/or debt will also be considered.



In May 2001, the Investment Committee approved an initial allocation of \$475 million to 11 investment partners in a new investment vehicle called the **California Initiative Program**

# UNTAPPED ASSETS IN UNDERSERVED AREAS PROVIDE ATTRACTIVE INVESTMENT OPPORTUNITIES

## Urban/Inner city



- Strategic location near business centers, transportation, etc.
- Large, diverse labor pool
- Attractive local consumer market demand
- Government incentives
- Favorable access to real estate

## Rural



- Inexpensively priced land/office space
- Availability of full- and part-time, educated workers
- Lower cost of living environment
- Government incentives
- Recent technology and infrastructure developments that allow for convenient communication and access to information

Source: Michael Porter, "The Competitive Advantage of Inner Cities," HBR, 95310; "The Rise of the Urban Entrepreneur," Inc. magazine, May 15, 1995; company materials; interviews

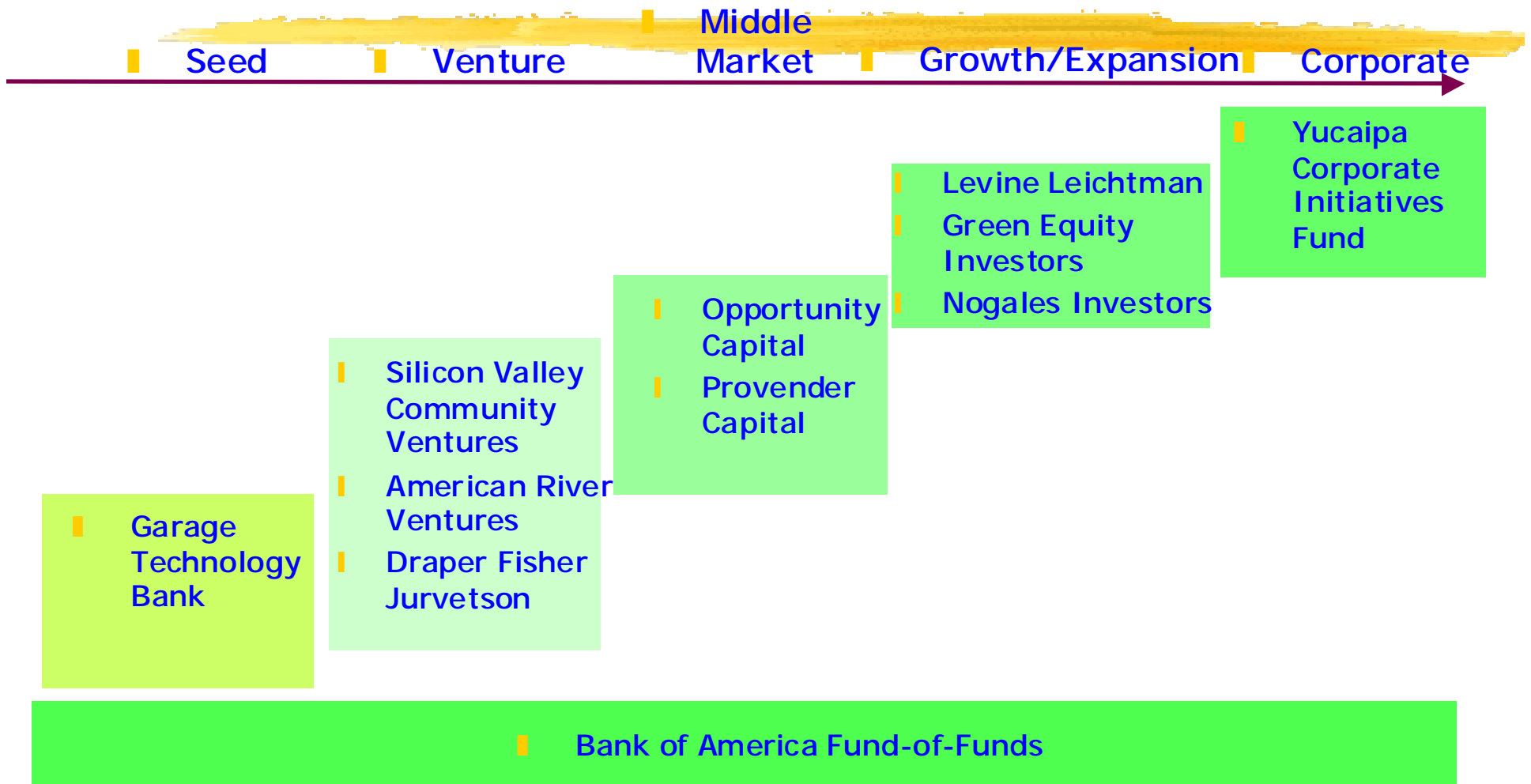
# CA INITIATIVE INVESTMENT MANAGERS HAVE EXPOSURE IN NORTHERN, CENTRAL AND SOUTHERN CALIFORNIA



<b>Selected Managers</b>	<b>CA Office Locations</b>
American River Ventures	Sacramento
Bank of America*	SD, LA, SF
Draper Fisher Jurvetson	North Bay / Sacto
Nogales Investors	LA
Garage	Palo Alto
Green Equity Partners	LA
Levine Leichtman	LA, SF
Opportunity Capital	Fremont
Provender Capital	LA
Silicon Valley Community Ventures	SF
Yucaipa Companies	LA, SF

\* Bank of America has a network of 960 banking centers in California, with two major regional offices in San Francisco and Los Angeles

# CA INITIATIVE PARTNERS SUPPORT COMPANIES IN EVERY STAGE OF THE GROWTH CYCLE



In addition to this conference,  
where can I learn more about  
these programs?

Join CDIAC for Tools to Revitalize California Communities at:

- League of California Cities: Mayors and Council Members Executive Forum - July 26th
- *The Bond Buyer's* 12th Annual California Public Finance Conference - September 11th
- International Economic Development Council's Annual Conference - September 25th



# To learn about future economic development programs ....

- Access CDIAC's website at:  
[www.treasurer.ca.gov/cdiac](http://www.treasurer.ca.gov/cdiac)
- E-mail CDIAC at: [cdiac @ treasurer.ca.gov](mailto:cdiac@treasurer.ca.gov)
- Call CDIAC at: (916) 653-3269
- Fax CDIAC at: (916) 654-7440